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*Other Agency file*

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THE SECRETARY OF STATE

WASHINGTON

'85 FEB 28 P1:36

February 28, 1984

MEMORANDUM FOR:

THE PRESIDENT

From:

George P. Shultz *GPS*

Subject:

Foreign Service Retirement

I request your support to maintain the Foreign Service's traditional status as an excepted service for purposes of retirement.

For years, Congress has provided separate retirement provisions for those parts of the government in which employees are subjected to danger, special risks to health, unusual stress and other hardships. Included are provisions that grant employees of these "excepted services" (such as FBI, CIA, Secret Service, Foreign Service and the military) retirement at a lower age than regular civil servants. The Foreign Service Acts of 1946 and 1980, recognizing the special nature of service abroad and the risks involved, provided that Foreign Service personnel could retire at age 50. This has allowed us to have a smooth operating system in which individuals moved up through the system and then out of it, thus ensuring that "new blood" constantly filled important jobs.

Now, however, OMB's attempt to apply an early retirement penalty of 5% per year for every year of retirement under age 60 for members of the Foreign Service threatens to disrupt seriously this long-functioning system. This change should be resisted because it discriminates unfairly against Foreign Service personnel. It also runs the risk of eroding the effectiveness of our diplomacy, and considerably reduces my ability to manage the foreign affairs process. Moreover, in the long run, it decreases the attractiveness to energetic and patriotic young Americans of this traditional public service area.

It is especially difficult for me to understand why after all these years the Foreign Service would now be treated differently than the Military and other excepted services, such as the FBI and the Secret Service, which continue to be

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authorized to run retirement programs without such penalties. Statistically, the Foreign Service must be one of the most dangerous, unhealthy and stressful occupations in the government, if not the whole country.

-- In just the last two years, 21 people have been killed while serving at our diplomatic missions abroad. Many others have been wounded in terrorist attacks.

-- Threats of additional hostile action against our people are being received with alarming frequency and these include the families of Foreign Service personnel as well. For example, I recently had to authorize the evacuation of all dependent children from Colombia because of threats to retaliate against them because of our tough narcotics policy.

-- Approximately 52% of Foreign Service personnel between the ages of 50 and 54 are unavailable for worldwide duty because either the employee or a member of the family cannot qualify for a full medical clearance.

I doubt that there are many other occupations in the country that have such a high mortality rate or in which an employee must subject himself and his family to this type of threat.

There is also a management concern. I must have the ability to move the right people into the right places at the right time. This requires a corps of personnel who are prepared to go anywhere in the world as the national interest requires. Ultimately, it also means we must be able to move people into retirement so that we can prepare the next generations of foreign policy practitioners. This principle is well established for the career military officer corps, and has been at the heart of the legislation governing the Foreign Service for decades.

We also need to be able to retire personnel who are "burned out" after long service, and who are no longer available for worldwide service under the dangerous and unhealthful conditions which often obtain. Without this capability, I believe I will not be able to implement your foreign policy with the degree of excellence we would both expect and the American people deserve.

If we go forward with the OMB proposal, the result will be that fewer persons will elect to retire before 60, thus occupying spaces that could be filled by more energetic younger officers. This will add significantly to an already worrisome stagnation problem and will erode the excellence we strive

for. Moreover, the OMB plan is unfair to those persons we "select out" because they are no longer competitive. Since these people are forced to retire, it is wrong to deny them their full pension benefits.

Finally, I would point out that OMB's proposal, while claiming to reduce expenses, could conceivably end up generating additional costs since we will end up with senior people staying on considerably longer at higher salary increments.

The CIA retirement system for those serving overseas closely parallels our own, and I know Bill Casey feels at least as strongly about this issue as I do. He will be writing to you separately. Charlie Wick and the Director of AID also completely support this objective with respect to their employees who participate in the Foreign Service retirement system.

For all these reasons, I believe you must decide that the Foreign Service will continue to be treated as an excepted service for retirement purposes based on its structure as a national security element with an up-or-out promotion and retirement system.

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22D, X5157, 2/04/85

Clearances:  
M/DGP - HJCohen  
M/COMP - RFeldman  
M/DGP/PC - Mr. Bacchus

THE SECRETARY OF STATE  
WASHINGTON

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'85 FEB 28 P10:44

February 28, 1985

Dear Dave:

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TO: I write to you to secure your agreement that the Foreign Service retirement system will be left intact. There is no single issue which more directly affects my ability to manage a community of foreign affairs personnel who can go anywhere they are assigned and carry out our foreign policy in a rigorous, dedicated and fully trustworthy manner.

You and I can appreciate the essentiality of a military service composed of individuals whose talents are captured while at the height of their physical and mental powers. One of the prices we pay for this is a military retirement system which is sufficiently attractive to retain the best and still has the flexibility in the end to weed out those just below that line.

If anything, day-to-day, the Foreign Service places even greater demands on a wider variety of individuals than does the military. Our employees and their families are assigned to every country. They -- the entire family -- must live in every climate, must guard against terrorists on a round-the-clock basis, and must adapt to cultural changes every two to five years. By way of compensation, the employees' careers are governed on how well they compete with their peers. It is not good enough that individuals meet job standards. Each Foreign Service employee in order to advance, or even just to remain in the Service, has to be better than the vast majority of his or her peers. Under these circumstances of every day life in the Foreign Service who would embark on this career if he felt his career ladder ended without a satisfactory retirement plan?

The Honorable  
David A. Stockman,  
Director, Office of Management  
and Budget,  
The White House.

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And what of the needs of the Service itself? Between the ages of 50 and 54, more than half the people in the Foreign Service are not available for worldwide duty because either the employee, or a member of the family, is unable to qualify for full medical clearance. These people after age 50 either cannot be assigned overseas at all or may be sent only to posts with medical facilities able to provide treatment for ailments which occurred during their service.

If we were to amend the present retirement system as proposed, we would either keep substantial numbers of people in the Foreign Service past their peak of productivity or we would attempt to force them into retirement at ages 50-55 without adequate benefit. Neither option makes sense to me. The savings to the Treasury of the changes being sought would be negligible. In 1986, there are virtually no outlay savings, and there would be only \$17.1 million less requested in budget authority.

Finally, I would draw your attention to the fact that in just the last two years, 21 people have been killed while serving at our diplomatic missions abroad.

If the Foreign Service retirement system is changed in any substantial way, we will do the country a major disservice. We will employ dissipated individuals, many of whom will be "waiting out" the last years in Washington until they can retire, others who will believe themselves to be just another group of employees -- rather than a select corps willing to carry out their assignments where and when asked. We will receive what we are paying for -- not, as presently, an immeasurably greater amount more.

I know Bill Casey feels at least as strongly about this issue as I do. He will be communicating on this subject separately. Charlie Wick (who has already written to the President) and the Director of AID also completely support this objective with respect to their employees who participate in the Foreign Service retirement system.

Please advise me at the earliest possible moment that I can count on you to have the foreign services of the various agencies continue to remain in an exempt category for retirement.

Sincerely yours,

Drafter-Unknown



George P. Shultz